

Agenda Date: May 24, 2005  
Item Number: A1

**Docket:** UE-050684  
**Company:** PacifiCorp, dba Pacific Power and Light Company

**Staff:** Roger Braden, Assistant Director – Energy  
Jim Russell, Energy Accounting Manager  
Alan Buckley, Senior Policy Strategist  
Ken Elgin, Rate Case Strategist  
Hank McIntosh, Regulatory Analyst  
Thomas Schooley, Regulatory Analyst  
Joelle Steward, Regulatory Analyst  
Christian Ward, Regulatory Analyst

**Recommendation:**

Issue a complaint and order suspending tariff revisions filed by PacifiCorp, dba Pacific Power and Light Company (PacifiCorp or Company), and set this matter for hearing.

**Discussion:**

On May 5, 2005, the Company filed tariff revisions to produce additional annual revenues of approximately \$39.2 million, a 17.9 percent increase in revenues.

For residential service, the Company proposes an average increase of \$15.86 per month (20.3 percent increase).

The Company's request includes:

- An overall rate of return of 8.754 percent
- A rate of return on common equity of 11.125 percent
- A capital structure with common equity at 49.5 percent
- The increase includes a *pro forma* addition to rate base of \$36.3 million

The Company serves approximately 125,000 customers in Yakima, Walla Walla, and surrounding areas.

The Company's last rate increase was in November 2004. In that case, the Commission accepted a settlement resulting in an annual revenue increase of approximately \$15.5 million (7.8 percent increase). The settlement provided that the parties would work together to resolve inter-jurisdictional cost allocations issues. The parties met several times in an effort to develop an agreed-upon methodology for inter-jurisdictional cost allocation. However, the parties were not able to agree upon a methodology and this process culminated with a letter filed with the Commission informing them of the

impasse. Inter-jurisdictional cost allocation will be one of many significant issues in determining the Company's overall revenue requirements in this case.

The Settlement also required PacifiCorp to initiate discussions with Staff and interested parties if it was going to pursue decoupling. The Commission's order accepting the settlement stated that the Commission..."would expect the Company to initiate discussions, as provided in the Settlement Agreement. After such discussion, PacifiCorp may propose a true-up mechanism, or some other approach to reducing or eliminating any financial disincentives to DSM investment." No such discussions were initiated.

PacifiCorp's direct case in this Docket proposes no decoupling mechanism. Instead, the Company proposes that Staff and other parties now begin informal discussions in an effort to reach agreement on a decoupling mechanism that PacifiCorp would then include in its rebuttal case. Staff has a concern about this proposed process when PacifiCorp had the responsibility to initiate these discussions before it filed its general rate case.

Finally, it is necessary for Staff to complete a thorough analysis of the case. This includes an audit of PacifiCorp's books, accounts, practices, and activities before a recommendation can be made whether the Company's proposed tariff revisions result in rates that are fair, just, reasonable, and sufficient. Staff and all interested parties require sufficient time to conduct this analysis.

**Conclusion:**

In order for the Commission to determine whether the proposed tariff revisions are fair, just, reasonable, and sufficient, Staff recommends that the Commission issue a complaint and order suspending the tariff revisions filed by PacifiCorp, and set this matter for hearing.